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EUROPE: NEGOTIATING CHANGES THROUGH COMPROMISE

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Herman Van Rompuy, the outgoing President of the European Council, believes Europe can overcome its current challenges by doing what it does best: negotiate and compromise

At the end of the G20 meeting in Brisbane, Australia, the economic grouping of the world's largest economies agreed on the Brisbane Action Plan to boost the world economy by 2.1 percent and "inject an additional \$2 trillion into the world economy and create millions of jobs". Close to 1,000 measures were to be taken to boost economic activity, including moves to bring over 100 million women into the global work force, as well as tackling profit shifting by corporations and individuals looking to avoid paying tax.

"This wasn't just an expression of intention, but it's something concrete," says **Herman Van Rompuy**, the outgoing President of the European Council. "You have world leaders – the American President; the Japanese Prime Minister; the Chinese President etc – all discussing the economy and topics beyond the economy; it's quite reassuring.

"It is the first time in history that, on a regular basis, leaders around the globe meet each other and find common cause. I'm not being naïve in thinking this will work – you lose all of your naiveté after so many years in politics – but it's quite an experience to see 80 percent of the world economy represented by those holding the highest office, and these people are all trying to find a solution to economic and other problems.

"As long as this exists, even if the outcome is not always as good as one would hope for, I am hopeful for humankind."

Europe: All change

Van Rompuy made those remarks in a dialogue session moderated by Singapore Management University President **Arnoud De Meyer** at a recent SMU Presidential Distinguished Lecturer Series event. When asked his thoughts about global economic growth prospects, he was upbeat about China ("seven percent growth is more sustainable than 10 percent") and the United States ("it's likely to grow about three percent, which is quite high for a mature economy"). The picture

for developing countries was not as encouraging: "Russia is in recession. Brazil is almost in recession."

The Eurozone, meanwhile, is expected to grow about 0.5 percent. The PIGS – Portugal, Italy, Greece, Spain – economies are starting to recover but things could take a turn for the worse if lessons of the Global Financial Crisis are forgotten. Van Rompuy is quietly confident about Europe's prospects.

"Major countries in Europe are in the midst of structural reforms. Some of our governments – Italy and France to name just two – are taking courageous decisions confronting parts of their own electorate. Everybody knows reforms of all kinds are inevitable."

Some of that change in Europe is about more than just economics. Van Rompuy points out that Europe will need 40 to 50 million immigrants to sustain its social and economic models in the coming decades. For a continent which he describes as one with "established populations without a tradition of migration, the acceptance of migrants is much more difficult in European societies than in other, younger nations founded on the basis of migration".

"The main reason the EU works is that everyone knows there is a need to compromise. There is a culture of compromise, without which nothing is possible."

"How do we integrate these people?" he asks, referring to Europeans exercising their right under the European Union's freedom of movement for workers, as well as illegal immigrants from North Africa and the Middle East that have surged into the Mediterranean countries. "Integration has to do with language and recognition of the basic values of the society in which one lives, such as the rule of law, equal chances, the rights of women, democracy etc. These are public values, and it's not easy to have people from different backgrounds and cultures accept the basic rules of a society. Some countries are more successful than others."

Europe: An exercise in compromise

While the resurgence of anti-immigration parties – National Front in France, the Freedom Party in Austria, and the U.K. Independence Party (UKIP) – in Europe pose another challenge to the continent's economic vitality, Van Rompuy points to the key strength of Europe: the spirit of compromise.

"It's not an easy task (getting everyone to agree) – we have 28 countries in the European Union," Van Rompuy points out. "On climate change, we agreed on the reduction of greenhouse gases by 40 percent by 2030 compared to 1990. We are on track to meet that objective. It's a legally binding agreement. It's not just a declaration of political intention."

"We had to get 28 countries to agree, and sometimes it is a zero-sum game: If one country does less, the others have to do more. It's quite difficult but we succeeded. We made a European budget in 50 hours. The main reason it works is that everyone knows there is a need to compromise. There is a culture of compromise, without which nothing is possible. With political will, you can achieve anything."

What about the old mantra that all things European depends on the relationship between France and Germany? Does that still matter in the ever-expanding European Union?

"It's still important: the two economies account for half of the total output of the Eurozone," Van Rompuy emphasises. "France and Germany represents two kinds of cultures in the European Union. It's much more complex than North versus South or those in favour of financial discipline versus those in favour of more solidarity. It's just about two different sensitivities. If they

compromise, then a lot of other countries can also get along as well because each country is in some way either closer to Germany or France.

“This is very present in the EU of today. Can the EU work without the Franco-German relationship? Yes, but it would be more difficult. We made the European budget, we agreed on the banking union, we made a deal on climate change without a pre-cooked Franco-German agreement. We can get things done without France and Germany agreeing, but it would be easier if they did.”